

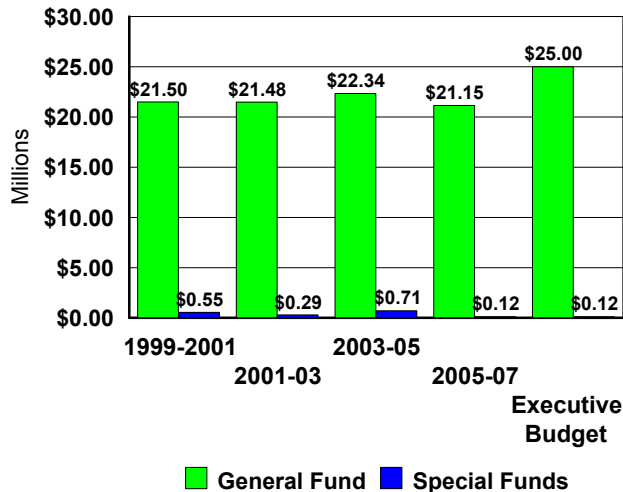
**Department 127 - State Tax Commissioner
House Bill No. 1006**

	FTE Positions	General Fund	Other Funds	Total
2005-07 Executive Budget	133.00	\$24,996,259	\$120,000	\$25,116,259
2003-05 Legislative Appropriations	137.00	21,154,695 ¹	115,044 ²	21,269,739
Increase (Decrease)	(4.00)	\$3,841,564	\$4,956	\$3,846,520

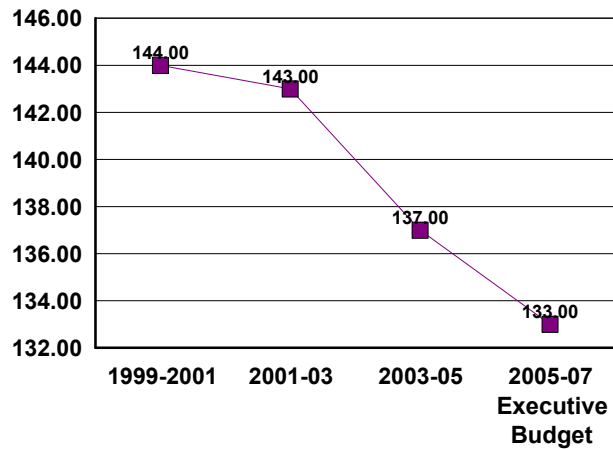
¹The 2003-05 appropriation amounts do not include \$110,000 of 2001-03 carryover authority.

²The 2003-05 appropriation amounts do not include \$150,000 of additional special funds authority resulting from Emergency Commission action during the 2003-05 biennium.

Agency Funding



FTE Positions



First House Action

Attached is a summary of the first house changes.

**Executive Budget Highlights
(With First House Changes Noted)**

	General Fund	Other Funds	Total
Income, Sales and Special Taxes Division			
1. Removes 2 vacant FTE positions (office assistant I and withholding tax specialist)	(\$125,932)		(\$125,932)
2. Decreases funding for operating expenses due to a reduction in a federal motor fuel tax grant		(\$145,044)	(\$145,044)
Operations Division			
3. Removes 2 vacant FTE positions (data input operator II and staff officer II)	(\$126,484)		(\$126,484)
4. Provides funding for equipment over \$5,000 to purchase scanners	\$25,000		\$25,000
Homestead Tax Credit			
5. The executive budget recommendation includes \$7 million from the general fund for the homestead tax credit. The recommendation expands the eligibility requirements of the program, which provides property tax and rent relief to seniors or any person who is permanently disabled. The state reimburses the political subdivision for property tax	\$3,000,000		\$3,000,000

amounts lost because of the credits. The House removed the \$3 million additional appropriation.

Other Sections in Bill

Section 4 of House Bill No. 1006 provides for a transfer of \$1.4 million to the general fund, the amount received by the State Tax Commissioner's office for expenses incurred in the collection of the motor vehicle fuels and special fuels taxes and administration of these taxes.

Section 5 of House Bill No. 1006 provides for the statutory changes as necessary to increase the State Tax Commissioner's salary as follows:

Annual salary authorized by the 2003 Legislative Assembly:
July 1, 2003 \$73,821

Proposed annual salary recommendation in the 2005-07 executive budget:
July 1, 2005 \$76,774
July 1, 2006 \$79,845 (may not exceed)

The executive recommendation provides funding for elected officials' salary increases equal to 4 percent of salaries effective July 1, 2005, and 3 percent effective July 1, 2006. An additional 1 percent may be provided to the extent the increase can be paid with existing agency resources. Section 5 of House Bill No. 1006 provides that the July 1, 2006 increase may not exceed 4 percent.

The House adjusted the State Tax Commissioner's salary to reflect an increase of 3 percent effective July 1, 2005, and 4 percent effective July 1, 2006.

July 1, 2005 \$76,036
July 1, 2006 \$79,077

Major Related Legislation

House Bill No. 1043 provides sales and use tax amendments to conform with the provisions of the Streamlined Sales Tax Act.

House Bill No. 1107 provides for the Tax Commissioner to participate in the treasury offset program administered by the United States Department of Treasury and provides a continuing appropriation equal to the amount of fees due under this program and any required repayments.

House Bill No. 1155 removes the optional long-form individual income tax method. The House reduced operating expenses by \$50,000, which is the department's anticipated savings from eliminating the form.

Senate Bill No. 2050 changes the implementation date for Streamlined Sales and Use Tax Agreement compliance from December 31, 2005 to September 30, 2005.

Senate Bill No. 2157 provides for the Governor's recommended proposed changes to the **homestead tax credit** for taxable years beginning after December 31, 2004. The Senate changed the effective date to taxable years after December 31, 2006, which removed the additional fiscal impact for the 2005-07 biennium. Currently, pursuant to North Dakota Century Code Section 57-02-08.1, the homestead tax program provides:

- A homeowner or renter may not have income exceeding \$14,000 per year to be eligible for the program;
- A graduated reduction in the taxable value and resulting taxes of a person's homestead, to a maximum \$2,000 (4.5 percent of taxable value) based on the applicant's income level;
- The maximum benefits are limited to \$44,400 reduction in the value of the house; and
- For eligible renters making \$14,000 or less per year, the program provides a direct payment of the amount by which 20 percent of the total rent (representing the property tax portion) exceeds 4 percent of the applicant's annual income, not to exceed \$240.

This bill provides for statutory changes to the homestead tax credit as follows:

- Base the income requirement of the applicant on the federal poverty income levels;
- Eligible homeowners would be eligible for a maximum \$3,600 (4.5 percent of taxable value) reduction in their home's tax valuation based on the applicant's income level;
- The maximum benefits would be raised to allow the full reduction of an \$80,000 house; and
- Eligible renters based on the federal poverty level would receive a partial refund of their rent based on the amount by which 20 percent of the total rent (representing the property tax portion) exceeds 4 percent of the applicant's annual income, up to a maximum \$240 based on the applicant's income in comparison to the federal poverty level.

Senate Bill No. 2196 provides an appropriation to the Tax Commissioner from the Silver-Haired Education Association fund for defraying the costs of collecting the optional silver-haired contributions and a continuing appropriation for funding to the Silver-Haired Education Association.

Senate Bill No. 2240 provides that the Tax Commissioner may examine an applicant's income tax return regarding the farm residence exemption and disclose to the county assessor whether the applicant qualifies for the exemption.

Senate Bill No. 2242 provides an appropriation of \$200,000 from the general fund for random property tax audits as directed by the supervisor of assessments.

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